

## SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Agreement") is entered into on the 16<sup>th</sup> day of October, 2015, by and between the State of North Carolina, on relation of its Attorney General, Roy Cooper and its Secretary of State, Elaine Marshall, (hereinafter "the State") and Steps & Stages: Disabled Veterans Resource Agency, Inc. (hereinafter "Steps & Stages"). The State and Steps & Stages are sometimes referred to collectively herein as the "Parties."

### A. FACTUAL BACKGROUND AND BASIS FOR AGREEMENT

1. Steps & Stages filed incorporation papers as a nonprofit corporation pursuant to Chapter 55A of the North Carolina General Statutes effective December 31, 2007, and is recognized by the Internal Revenue Service as a 501(c)(3) tax exempt entity. Barbara Summey Marshall ("Ms. Marshall" or "Barbara Marshall") founded Steps & Stages, and acted as its President until July 15, 2015.

2. In approximately July of 2012, the Department of the Secretary of State's Charitable Solicitation Licensing Division ("Department") began an investigation into Steps & Stages. As part of its investigation, the Department made numerous requests for information about Steps & Stages' finances and operations that were never fully answered.

3. The Office of the Attorney General joined the investigation. On June 15, 2015, the State sent Steps & Stages and Ms. Marshall a letter that detailed the ways in which Steps & Stages was not operating in accordance with the law. Attached to the letter was a draft complaint which provided more detail, including questions and concerns about whether and to what extent funding provided by Ms. Marshall to Steps & Stages had been donations or loans.

4. The June 15<sup>th</sup> letter required Steps & Stages to take certain actions within twenty days or face a lawsuit by the State seeking dissolution of Steps & Stages. To date, Steps & Stages has not fully complied with the requirements of the letter.

5. On July 15, 2015, Barbara Marshall nominated new members for the board of Steps & Stages. Barbara Marshall signed a statement giving this board, which did not include herself, the full governance of Steps & Stages.

6. The Board of Steps & Stages considers itself an interim board, charged with safeguarding the assets of Steps & Stages until they can be transitioned to an appropriate religious or nonprofit organization that is qualified to operate them as transitional housing, with preference given to the extent practicable to disabled female veterans (and their minor children) or, if there are available beds and no disabled female veterans seeking services, to veterans (and their minor children).

7. To date, Barbara Marshall has not unequivocally relinquished her roles at Steps & Stages. Moreover, the records of Steps & Stages are unclear as to whether Barbara Marshall's daughter, Maya Marshall remains a board member and officer of Steps & Stages.

8. The Board has amended Steps & Stages' bylaws to omit references to a Founding Member with perpetual status as a board member and President/CEO and to reflect the increased size of the Board.

## **B. AGREEMENT AND COVENANTS OF THE PARTIES**

Based upon the foregoing, and in consideration for the other party's undertakings herein, the State and Steps & Stages covenant and agree as follows:

1. As of the date of this Agreement, the Board of Steps & Stages consists of the following individuals and no others: Barbara J. Spigner, Billy R. King, Larry Gordon, and

Crystal Spigner-Williams. Nothing in this Agreement prevents the Steps & Stages Board from having different members, provided that such changes in membership are accomplished as provided for in the then-current Steps & Stages Bylaws and Articles of Incorporation.

2. Steps & Stages shall use its best efforts to obtain formal written resignations from Barbara Marshall and Maya Marshall. The written resignations shall also release any claims that Barbara Marshall and Maya Marshall may have or assert against Steps & Stages. The resignations must be in a form acceptable to the State.

3. Within five days of the execution of this Agreement, the Board must take all necessary actions and make all necessary efforts to secure and take full control of the assets of Steps & Stages.

4. Within seven days of the execution of this Agreement, the Board must have a written plan for interim operations.

5. Within fourteen days of the execution of this Agreement, the Board must adopt a formal plan of dissolution, including a detailed process for identifying a suitable nonprofit corporation or religious organization that is qualified to operate the assets of Steps & Stages as transitional housing, with preference given to the extent practicable to disabled female veterans (and their minor children) or, if there are available beds and no disabled female veterans seeking services, to veterans (and their minor children).

6. Within twenty-one days of the execution of this Agreement, the Board must deliver a written request for expression of interest to any and all potentially qualified nonprofit corporation or religious organizations it has identified as potential recipients of Steps & Stages' assets in the exercise of the Board members' duties of good faith and loyalty.

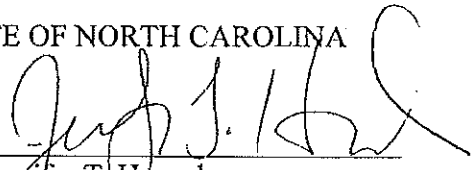
7. By December 15, 2015, the Board must decide which organization or organizations will be the recipient of Steps & Stages' assets. Steps & Stages must give notice to the Office of the Attorney General of North Carolina pursuant to NC Gen. Stat. 55A-12-02(g) on or before December 15, 2015. The Attorney General does not waive review of the transfer of Steps & Stages' assets.


8. The Board must take the necessary steps to formally dissolve Steps & Stages within thirty days of the Attorney General's Office issuing notice that it has completed its review and does not object to the proposed transfer of assets or does not object subject to conditions which the Board is prepared to satisfy. the

9. If Steps & Stages fails to take any of these actions within the required time frame, then the State may seek to enforce this Agreement in Superior Court of Cumberland County with no notice or opportunity to cure; provided however, that extension of each of the deadlines within this Agreement may be obtained as follows: (a) no less than three business days prior to the expiration of a deadline, the Board makes a written request which sets forth both a reasonable basis for extension and a reasonable extension period and (b) the State agrees to such extension in writing.

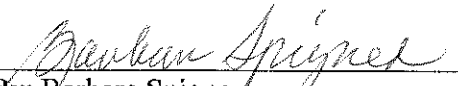
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date stated above.

STATE OF NORTH CAROLINA

  
By: Jennifer T. Harrod  
Special Deputy Attorney General  
Consumer Protection Division  
NC Department of Justice

  
By: Lareena J. Phillips  
Assistant Attorney General  
Counsel to the Department  
of the Secretary of State  
NC Department of Justice

Steps & Stages

  
By: Barbara Spigner  
Chair of the Steps & Stages Board of Directors